

CITY OF AVOCA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2011 THROUGH JUNE 30, 2012

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CITY OF AVOCA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jennie Maassen	Mayor	January 2014
Fred Miller	Council Member	January 2016
Sandy Petersen	Council Member	January 2016
John Butcher	Council Member	January 2014
Jerry Espeseth	Council Member	January 2014
Roxanne Plymale	Council Member	January 2014
Clint Fichter	City Manager	Indefinite
Teresa Hoepner	City Clerk	Indefinite
Teresa Hoepner	Treasurer	Indefinite
David Larson	Attorney	Indefinite

CITY OF AVOCA

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 24, 2013

Independent Accountant's Report on Applying Agreed Upon Procedures

Lonnie G. Muxfeldt
Certified Public
Accountant

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Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council

I have performed the following procedures, which were agreed to by the City of Avoca, solely to assist you in evaluating the operations of the City for the period July 1, 2011 to June 30, 2012. The City of Avoca's management is responsible for the operating practices and procedures followed by the City. The agree upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed were as follows:

1. I obtained an understanding of the City's internal controls over cash, investments, receipts, disbursements and payroll and tested procedures to ascertain if the City was in compliance with the Code of Iowa.
2. I tested certain receipts to determine if receipts were properly recorded, accounted for and deposited timely.
3. I tested certain disbursements to determine if disbursements were properly approved, recorded and accounted for.
4. I tested certain payroll records to determine if timesheets existed, payroll forms were properly completed and filed and payroll issued when approved.
5. I examined utility records to determine if the City was recording and reconciling utility billings, collections and delinquencies.

continued. . .

January 24, 2013
Page 2

To the Honorable Mayor and
Members of the City Council

6. I tested the Annual Financial Report to determine if the amounts reported were supported by the City's accounting records.

7. I examined bank reconciliations to determine if the balances reconciled to the City's accounting records.

8. I reconciled the beginning and ending fund balances of the City to the accounting records.

I was not engaged to and did not conduct an examination of the operations of the City of Avoca, the objective of which would be the expression of an opinion on the financial statements of the City of Avoca. Accordingly, I do not express such an opinion. Had I performed additional procedures, or had I performed an audit of the financial statements of the City of Avoca, other matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Avoca and other parties to whom the City of Avoca may report. This report is not intended and should not be used by anyone other than these specified parties.

I would like to acknowledge the assistance extended to me by personnel of the City of Avoca. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 M. J. Lippert Associates, CPA, P.C.

DETAILED RECOMMENDATIONS

CITY OF AVOCA

DETAILED RECOMMENDATIONS JULY 1, 2011 THROUGH JUNE 30, 2012

(A) Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal, check writing, mailing and posting, payroll preparation and distribution, utility billing collecting, depositing and posting, investing and record keeping are all done by one or two individuals.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this and make appropriate changes to improve internal controls.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

(B) Reconciliation of Utility Billings, Collections and Delinquencies

Comment - Utility billings, collections of accounts and delinquent accounts have been reconciled.

Conclusion - The City has established accounting procedures to reconcile the utility billings, utility collections and delinquent accounts for each billing cycle. An independent person designated by the City Council should review and monitor these reconciliations.

CITY OF AVOCA

DETAILED RECOMMENDATIONS
JULY 1, 2011 THROUGH JUNE 30, 2012

(C) Investments

Comment - The City has purchased certificate of deposits (CD's) for short term investment of funds. Over time, there have been numerous small CD's purchased which has lead to the cumbersome accounting and management of these CD's.

Conclusion - Certificate of deposits and investments have been consolidated as needed so as not to be as cumbersome for the City Clerk/Treasurer to reconcile.

(D) Approval of Disbursements

Comment - The Council policy on check signatures for disbursements of \$5,000 or greater is to have two (2) authorized signatures for issuance. There was one disbursement greater than \$5,000 which only had one signature.

Recommendation - The City needs to comply with the Council policy of check signatures.

Response - We adhere to Council policy on check signatures.

Conclusion - Response accepted.

CITY OF AVOCA

DETAILED RECOMMENDATIONS
JULY 1, 2011 THROUGH JUNE 30, 2012

(E) Invoice Cancellation

Comment - Proper cancellation of invoices after approval for payment is required to prevent repayment of invoices previously paid.

Conclusion - The City has complied with this issue and has marked all selected invoices as "Paid".

(F) Payroll Authorization

Comment - During the course of examining time cards, there were numerous employee time cards that were not approved by department supervisors before payroll checks were issued by the City Clerk. Also, there were numerous supervisors' time cards that were not approved by the City Manager before payroll checks were issued.

Recommendation - Each of the City's department managers' should approve and sign off on the time cards of the employee's under their management as to the validity of the hours worked by each employee before submission to the City Clerk for payment. Each department manager's time card should be reviewed and approved by the City Manager before submission to the City Clerk for payment.

Response - We have implemented a policy to approve time cards and will make sure all appropriate approvals are authorized before payroll checks are issued.

Conclusion - Response accepted.

(G) Compensated Absences

Comment - City department manager's account for the majority of vacation, sick leave and comp time used and retained. Accurate information for amounts earned but not used was available and reconciled for the period examined.

Conclusion - The City has maintained accurate information on each employee's vacation, sick leave and comp time consisting of activity and balance remaining.

CITY OF AVOCA
DETAILED RECOMMENDATIONS
JULY 1, 2011 THROUGH JUNE 30, 2012

(H) Component Unit

Comment - The Avoca Community Fire and Rescue Association (the Association) maintained separate accounting records and was under the control of a separate Board of Directors not under the control of the City of Avoca. By definition, the Association is considered a “Component Unit” of the City of Avoca.

Conclusion - The City has taken over this account and is included in the financial statements of the City of Avoca.

(I) Annual Financial Report

Comment - The City’s Annual Financial Report for the year ended June 30, 2012 is in balance with the year ending fund balances.

Conclusion - The Annual Financial Report appears reasonable.

(J) Board Minutes

Comment - There were no instances of non-compliance found.

CITY OF AVOCA

DETAILED RECOMMENDATIONS
JULY 1, 2011 THROUGH JUNE 30, 2012

(K) Deficit Balance

Comment - At June 30, 2012, the Debt Service Fund had a deficit balance of \$632, the Capital Projects Fund-Club House had a deficit balance of \$265,704 and the Capital projects Fund-Sewer had a deficit balance of \$4,098.

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the fund to a sound financial position.

Response - We will investigate alternatives to eliminate the deficit balance.

Conclusion - Response accepted.

CITY OF AVOCA
FUND BALANCE RECONCILITATION
JUNE 30, 2012

	<u>Schedule 1</u>
Balance per City's General Ledger, June 30, 2011--Beginning	\$ 3,098,123
Add: Receipts	<u>6,345,162</u> 9,443,410
Less: Disbursements	<u>6,403,437</u>
Balance per City's General Ledger, June 30, 2012--Ending	\$ <u>3,039,973</u>

CITY OF AVOCA
FUND BALANCES
JUNE 30, 2012

Schedule 2

General Fund

Major Funds:

General Fund	\$ 749,934	
Golf Course	15,622	
Aquatic Center	9,954	
	<hr/>	
		\$ 775,510

Non-Major Funds:

Hotel/Motel	-0-	
Road Use	210,888	
Employee Benefits	17,803	
Emergency	-0-	
Local Option	404,998	
Urban Renewal	140,633	
Library	541,226	
Cemetery	68,006	
Debt Service	(632)	
Fire Department	4,038	
Cemetery Care	37,991	
	<hr/>	
		1,424,951

Business Activities

Water Fund	121,040	
Storm Water	79,575	
Sewer Fund	331,902	
	<hr/>	
		532,517

Capital Projects

Sewer-Capital Projects	16,242	
Club House	(265,704)	
South Street	4,497	
Housing	516,165	
Park	39,893	
Sewer	(4,098)	
	<hr/>	
		<u>306,995</u>

June 30, 2012	<hr/>	\$ <u>3,039,973</u>
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CITY OF AVOCA

CASH RECONCILIATION
JUNE 30, 2012

Schedule 3

	General Fund	Library Fund	Total
<u>Balances Per Bank-Checking and Savings</u>			
Midstates Bank			
City Checking	\$ 388,124	\$ -0-	\$ 388,124
Water Checking	-0-	-0-	-0-
City Savings	1,548,317	-0-	1,548,317
Library Savings	-0-	5,433	5,433
US Bank			
Library Checking	-0-	-0-	-0-
Bank Totals	1,936,441	5,433	1,941,874
Add: Deposit in Transit	79	-0-	79-
Less: Outstanding checks	(64,977)	-0-	(64,977)
City Book Checking and Savings Balances	1,871,543	5,433	1,876,976

CITY OF AVOCA

CASH RECONCILIATION
JUNE 30, 2012

	<u>Schedule 3 (continued)</u>		
	General Fund	Library Fund	Total
<u>Investments</u>			
Midstates Bank	134,666	-0-	134,666
US Bank	424,175	-0-	424,175
Pottawattamie County Community Foundation	342,806	261,350	604,156
City Book Investment Balances	<u>901,647</u>	<u>261,350</u>	<u>1,162,997</u>
City Book Fund Balances	\$ <u>2,773,190</u>	\$ <u>266,783</u>	\$ <u>3,039,973</u>

CITY OF AVOCA

AVOCA, IA 51521

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed upon procedures report on the City of Avoca, Iowa for the period July 1, 2011 through June 30, 2012. The agreed upon procedures were performed at the request of the City Council.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, utility billing and payroll. Muxfeldt Associates, CPA, P.C. recommends the City follow Council policies on check signatures, payroll authorization, and eliminate deficit fund balances. The City's responses are included in the report.

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

